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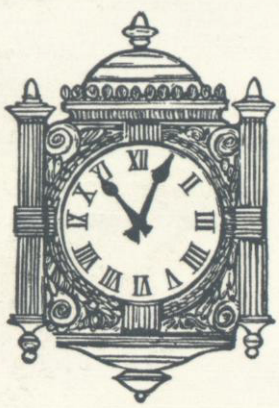


ANNUAL REPORT OF

MARSHALL FIELD & COMPANY

YEAR ENDED JANUARY 31, 1963

Atop the downtown store
newly lighted two-story columns
brighten Chicago's skyline

MARSHALL FIELD & COMPANY

founded in 1852
an Illinois corporation
incorporated in 1901

general offices:

25 EAST WASHINGTON STREET, CHICAGO 2, ILLINOIS

1962

ANNUAL REPORT TO SHAREHOLDERS

General Counsel
WILSON & McILVAINE
Chicago

Public Accountants
ARTHUR ANDERSEN & CO.
Chicago

Transfer Agents
CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO
Chicago

MORGAN GUARANTY TRUST COMPANY OF NEW YORK
New York

Registrars
THE FIRST NATIONAL BANK OF CHICAGO
Chicago

BANKERS TRUST COMPANY
New York

THE STORY IN BRIEF

(in thousands of dollars)

	Fiscal Year		
	1962	1961	1960
Net Sales	$242,399	$235,723	$234,201
Income before Federal Taxes	18,490	18,317	17,881
Federal Taxes on Income	9,329	9,210	9,021
Net Income	9,161	9,107	8,861
Net Income per Common Share	2.26	2.25	2.21*
Dividends per Common Share	1.40	1.40	1.25*
Cash and Securities	24,437	31,211	32,329
Accounts Receivable	30,086	28,662	28,694
Merchandise Inventories	34,878	33,816	31,440
Net Working Capital	61,386	65,634	66,536
Ratio of Current Assets to Current Liabilities	3.1	3.3	3.5
Property and Equipment Expenditures			
Modernization and Replacement	2,187	1,993	1,770
Expansion	4,137	6,987	755
Depreciation	4,325	4,120	3,971
Common Shareholders' Equity	104,959	101,542	96,751
Book Value per Common Share	26.13	25.31	24.63*

* Adjusted to reflect two-for-one stock split effective May 10, 1961.

MARSHALL FIELD & COMPANY

The Board of Directors submits to the Shareholders this annual report for the fiscal year ended January 31, 1963.

Your Company achieved a record high sales volume of $242,399,000 for the year, an increase of 3 per cent over the preceding year. Net income was $9,161,000 compared with $9,107,000 in 1961. Net income per Common Share was $2.26 in 1962, $2.25 in 1961.

Operating results and other financial data are summarized on the opposite page.

The quarterly dividend rate of 35 cents per Common Share, established by action of the Board of Directors in March 1961, was maintained throughout 1962.

Effective June 15, 1962, the Company called for redemption and cancellation the balance of its outstanding 4¼% Cumulative Preferred Shares at $104 per share plus accrued dividend amounting to 89 cents per share. The total redemption price of 46,334 shares was $4,860,000. Annual dividends on these shares amounted to about $197,000.

Your Company continues to enjoy a strong cash position. Despite heavy capital expenditures on our two new stores at Oakbrook Center and Aurora Village and the redemption of our Preferred Shares, cash and securities at the year-end totaled $24,437,000 compared with $31,211,000 on January 31, 1962.

We exercised our option to prepay without premium, in March 1963, $1,000,000 of the principal amount of a long-term loan from the Metropolitan Life Insurance Company, thus reducing our funded debt to $25,000,000.

Merchandise inventories on January 31, 1963, were $34,878,000 compared with $33,816,000 a year earlier. Most of this increase was accounted for by our new Oakbrook store. Accounts receivable increased from $28,662,000 to $30,086,000. The ratio of current assets to current liabilities decreased from 3.3 to 3.1.

The Company's minimum rent obligation under long-term leases approximates $570,000 per annum.

Payments toward the 1962 cost of our Retirement Program were $1,035,000. On January 31, 1963, the market value of assets in our Pension Trust was $45,930,000. Since its establishment in 1943, a total of $12,077,000 has been paid out of the Trust to 4,630 retired employes, 3,375 of whom are currently receiving pension payments.

Our capital expenditures during the past year were $6,324,000, of which amount $2,187,000 was for the purpose of modernizing or replacing existing facilities, the balance for the construction and equipping of new stores. Depreciation on all properties totaled $4,325,000. Again in 1963 we expect our capital expenditures on stores now in operation to be well below our charge for depreciation. Nonetheless, we continue to maintain all of our properties in excellent physical condition.

Our new store in Oakbrook Center in west suburban Chicago opened March 5, 1962. Its sales have exceeded our expectations and it has operated

profitably since it opened. Because of the store's popularity we added a tea-room and food department to its facilities in November.

Oakbrook Center on the whole is proving to be very successful and in our opinion has exceptional growth possibilities. We own 30 acres of land adjoining the Center which at some time in the future will be used for further development.

The past year has seen the opening of an unusually large number of new department stores in the Chicago metropolitan area, including our own Oakbrook store. This has had a slightly adverse effect for the time being on the sales of our main downtown store. This store, however, continues to account for a very large part of our earnings and we have great confidence in its future.

Our Mayfair store, located in a suburb of Milwaukee, continues to experience steady growth. It is operating profitably and we look for continued improvement in its results in the years ahead.

We plan within six months to add 45,000 square feet to the selling area of our Old Orchard store, utilizing unfinished space constructed at the time the store was completed in 1956. Within the next year or two we probably shall enlarge two of our other suburban stores, also by putting unfinished space into use.

In 1955, and prior to the construction of the Old Orchard shopping center, we conveyed 50 acres of vacant land in the center to Old Orchard Business District Inc. In consideration therefor we were to receive annual payments over a number of years. Through last year we had received $711,000 under this agreement. On February 13, 1963, we accepted $3,000,000 in cash in lieu of future annual payments. We have retained title to the land on which our store building is located and the contiguous parking areas. Under this new agreement we also have reserved all the rights we previously had relating to the appearance, general character and operation of the center.

During the past year we discontinued our restaurant operations at O'Hare and Midway airports in Chicago. The completion of the new O'Hare terminal facilities removed most of the traffic from the building which housed our restaurant at O'Hare. The almost total abandonment of Midway airport had a similar effect on our restaurant there. Both restaurants had operated profitably at times, including the year 1961. Your Company's total earnings and sales in 1962 were adversely affected by the decline in volume of the airport restaurants and the subsequent discontinuance of their operation. It is not our intention further to extend our restaurant operations outside our own stores.

Our downtown Frederick & Nelson store in Seattle and its suburban branch at Bellevue enjoyed a very satisfactory year in 1962 and again contributed substantially to your Company's earnings. Our second Seattle suburban store, at Aurora Village to the north of the downtown area, is nearing completion. We expect this 150,000 square foot store to be in operation by early August of this year.

The Seattle World's Fair, which opened last April and closed in October, stimulated Seattle business, particularly during the summer months. We feel that the Fair was a remarkable achievement on the part of the civic leaders of Seattle. Not only was it a financially successful venture but it reflected great

credit upon the community and gave the Seattle area favorable publicity on a scale never before realized.

The courage and imagination of Seattle's leading citizens have been further demonstrated by the formulation of plans to convert the Fair grounds and many of the Fair's facilities into a permanent civic center featuring a major science exhibit, the Space Needle, the Monorail, the new opera house and many other attractions. We believe that the Fair itself, together with the city's program for the future, will provide a great stimulus to the growth of the Seattle area much as did the Alaska-Yukon-Pacific Exposition held in Seattle in 1909.

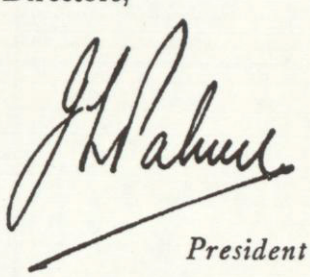
Edward McC. Blair was elected a member of our Board of Directors at our annual meeting in May 1962, filling the vacancy created by the retirement of William S. Street. Mr. Blair is a partner in William Blair & Company, investment bankers.

The year just ended has not been an easy one in which to conduct a retail business successfully although we feel that our results for the year have been reasonably satisfactory. The general economy has continued at a high level but has experienced no appreciable advance. In the meanwhile, many costs have continued to rise. The weather generally has been unseasonable or extreme throughout most of the year, and this has not been helpful to our industry. The stock market decline last spring was a definite deterrent to business. The domestic political climate as it affects industry has at best been uncertain in its influence. Recurrent crises on the international political scene have not tended to build public confidence in the future. And finally, competition in our industry has probably been keener and more diversified than at any time in history.

Many of the conditions which characterized 1962 will probably continue through 1963. We feel that we met them with reasonable success last year and expect to do so in the year ahead. Assuming the general economy remains around its present level, we anticipate further improvement in your Company's performance in 1963.

Once again we express our gratitude to our sixteen thousand shareholders for their loyal support, our associates in the business for their dedication to our service ideals, and our thousands of resources without whose cooperation we could not assemble what we believe to be the widest assortment of quality merchandise in the world. We also wish to thank our hundreds of thousands of customers upon whose goodwill we are so completely dependent.

By Order of the Board of Directors,



President

March 14, 1963

MARSHALL FIELD & COMPANY

INCOME STATEMENT

	Fiscal Year Ended January 31, 1963	Fiscal Year Ended January 31, 1962
NET SALES	$242,398,792	$235,722,791
DEDUCT:		
Cost of goods sold and expenses, exclusive of items listed below	$209,668,391	$203,339,642
Maintenance and repairs	2,394,439	2,673,263
Depreciation and amortization	4,325,235	4,120,190
Taxes other than Federal income taxes	6,034,352	5,567,849
Rentals paid	1,084,022	1,241,760
Net interest expense	402,831	463,529
Federal income taxes	9,329,000	9,210,000
	$233,238,270	$226,616,233
NET INCOME FOR THE YEAR	$ 9,160,522	$ 9,106,558

EARNED SURPLUS

BALANCE AT JANUARY 31, 1962		$73,130,879
Net income for the year		9,160,522
		$82,291,401
Cash dividends on —		
Cumulative Preferred Shares, 4¼% Series..	$ 41,237	
Common Shares ($1.40 per share)	5,622,527	5,663,764
BALANCE AT JANUARY 31, 1963		$76,627,637

PAID-IN SURPLUS

BALANCE AT JANUARY 31, 1962	$ 9,131,888
Excess of par value of 550, 4¼% Cumulative Preferred Shares purchased and cancelled, over the cost thereof	1,042
	$ 9,132,930
Premium of $4.00 per share on 46,334, 4¼% Cumulative Preferred Shares redeemed and cancelled	185,336
BALANCE AT JANUARY 31, 1963	$ 8,947,594

MARSHALL FIELD & COMPANY BALANCE SHEET

	January 31, 1963	January 31, 1962
ASSETS		
CURRENT ASSETS:		
Cash	$ 9,969,723	$ 9,630,603
United States Government securities and other short-term investments, at cost	14,467,529	21,580,842
Receivables from customers and others, less allowance for doubtful accounts of $951,000 at the end of each year	30,085,942	28,661,606
Merchandise inventories, priced at the lower of cost or market	34,878,485	33,816,385
Prepaid insurance, supply inventories, etc.	1,100,425	1,008,284
Total Current Assets	$ 90,502,104	$ 94,697,720
PROPERTY AND EQUIPMENT:		
Land, at cost	$ 18,569,298	$ 18,296,327
Buildings, leaseholds and equipment, at cost	93,136,608	88,997,533
	$111,705,906	$107,293,860
Less—Accumulated depreciation and amortization	42,132,504	39,696,962
Net Property and Equipment	$ 69,573,402	$ 67,596,898
GOODWILL, TRADEMARKS, ETC.	$ 1	$ 1
	$160,075,507	$162,294,619

	January 31, 1963	January 31, 1962
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	$ 8,149,160	$ 8,380,573
Accrued Federal income taxes	7,723,151	8,001,593
Other accrued liabilities	13,244,048	12,681,843
Total Current Liabilities	$ 29,116,359	$ 29,064,009
3¾% NOTES, maturing from 1972 to 1982	$ 26,000,000	$ 27,000,000
SHAREHOLDERS' EQUITY:		
Cumulative Preferred Shares —		
Authorized 150,000 shares at January 31, 1963 of $100 par value, issuable in series; none issued at January 31, 1963	$ —	$ 4,688,400
Common Shares —		
Authorized 8,000,000 shares of no par value. At January 31, 1962, options for 63,810 shares were outstanding and 134,880 shares were available for granting of options. During the year options were exercised for 5,240 shares, and none were cancelled or granted. At January 31, 1963, options for 58,570 shares were outstanding at $14.50 to $24.88 per share, of which 36,010 shares were exercisable currently; 134,880 shares were available for granting of options.		
Issued and outstanding 4,017,476 shares at January 31, 1963, at stated value	19,383,917	19,279,443
Paid-In Surplus	8,947,594	9,131,888
Earned Surplus ($35,933,154 available for dividends on Common Shares under terms of 3¾% Notes)	76,627,637	73,130,879
Total Shareholders' Equity	$104,959,148	$106,230,610
	$160,075,507	$162,294,619

AUDITORS' REPORT

ARTHUR ANDERSEN & CO.

120 SOUTH LA SALLE STREET
CHICAGO 3

To the Shareholders of
Marshall Field & Company:

We have examined the balance sheet of MARSHALL FIELD & COMPANY (an Illinois corporation) as of January 31, 1963, and the related statements of income and surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of income and surplus present fairly the financial position of Marshall Field & Company as of January 31, 1963, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR ANDERSEN & CO.

Chicago, Illinois
March 4, 1963

BOARD OF DIRECTORS

EDWARD McC. BLAIR	*Partner, William Blair & Company*
JOHN M. BUDD	*President, Great Northern Railway Company*
KENT CHANDLER	*Director, A. B. Dick Company*
MARSHALL FIELD, JR.	*President and Publisher, Chicago Sun-Times and Chicago Daily News*
STANLEY FIELD	*Chairman of the Board, Chicago Natural History Museum*
HENRY P. ISHAM	*Chairman of the Board, Clearing Industrial District, Inc.*
WILLIAM V. KAHLER	*Retired Chairman, Illinois Bell Telephone Company*
HUGHSTON M. McBAIN	*Retired Chairman of the Company*
JOHN McKINLAY, JR.	*Executive Vice President and Treasurer of the Company*
JAMES L. PALMER	*President of the Company*
GERALD A. SIVAGE	*Executive Vice President of the Company*

CORPORATE OFFICERS

JAMES L. PALMER	*President*
JOHN McKINLAY, JR.	*Executive Vice President and Treasurer*
GERALD A. SIVAGE	*Executive Vice President*
DAVID W. DAVIDSON	*Senior Vice President*
CORNELIUS J. BYRNE	*Vice President*
RALPH E. BOWERS	*Vice President and Secretary*
GEORGE G. RINDER	*Vice President and Comptroller*
CHARLES M. RHODES	*Assistant Treasurer*
ROBERT A. WILBRANDT	*Assistant Secretary*

DIVISION OFFICERS

Chicago Stores Division

EINAR L. BJORKLUND	*Vice President, Merchandising*
JOSEPH A. BURNHAM	*Vice President, Operating*
WILLIAM L. ENGLISH	*Vice President, Divisional Comptroller*
JOSEPH N. FIELD	*Vice President, Merchandising*
CHARLES W. FOLDS	*Vice President, Merchandising*
CLARENCE T. GREGG	*Vice President, Merchandising*
CARL GULDAGER	*Vice President, Advertising and Public Relations*
EARLE HARRISON	*Vice President, Operating*
CHARLES C. HOLLOWAY	*Vice President, Merchandising*
DONALD K. KEITH	*Vice President, Merchandising*
JOHN T. MOSS	*Vice President, Design*
HARRY D. PERKINS	*Vice President, Merchandising*
LLOYD H. RICHMOND	*Vice President, Personnel*
WILLIAM C. STETSON	*Vice President, Merchandising*

Frederick & Nelson Division

JASPER UTZ	*Vice President, General Merchandise Manager*
MYRON C. LAW	*Vice President, Operating*

Mayfair Division

ARNOLD D. K. MASON	*Vice President, Merchandising*

STORE LOCATIONS

In the Chicago Area

Marshall Field & Company
111 North State Street, Chicago

Evanston
1700 Sherman Avenue, Evanston

Lake Forest
682 North Bank Lane, Lake Forest

Oakbrook
One Oakbrook Center Mall, Oak Brook

Oak Park
1144 Lake Street, Oak Park

Old Orchard
One Old Orchard, Skokie

Park Forest
333 Plaza, Park Forest

In the Milwaukee Area

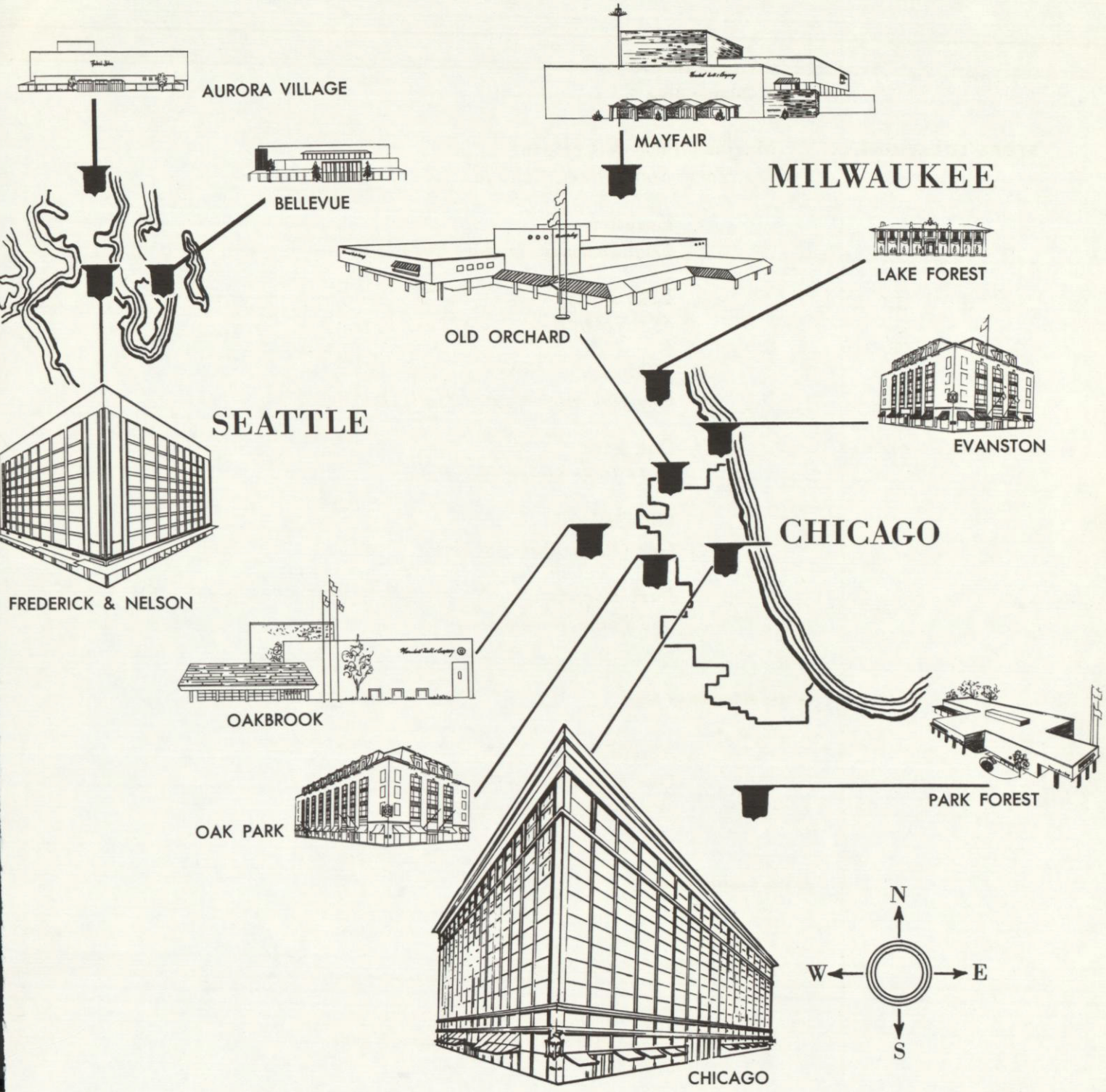
Mayfair
One Mayfair Mall North
Wauwatosa, Wisconsin

In the Seattle Area

Frederick & Nelson
5th and Pine Streets, Seattle

Aurora Village (in progress)
20218 Aurora Village Square North
Seattle

Bellevue Square
Bellevue, Washington



Area map shows all Marshall Field & Company stores, including Aurora Village to be opened this year by the Frederick & Nelson Division.